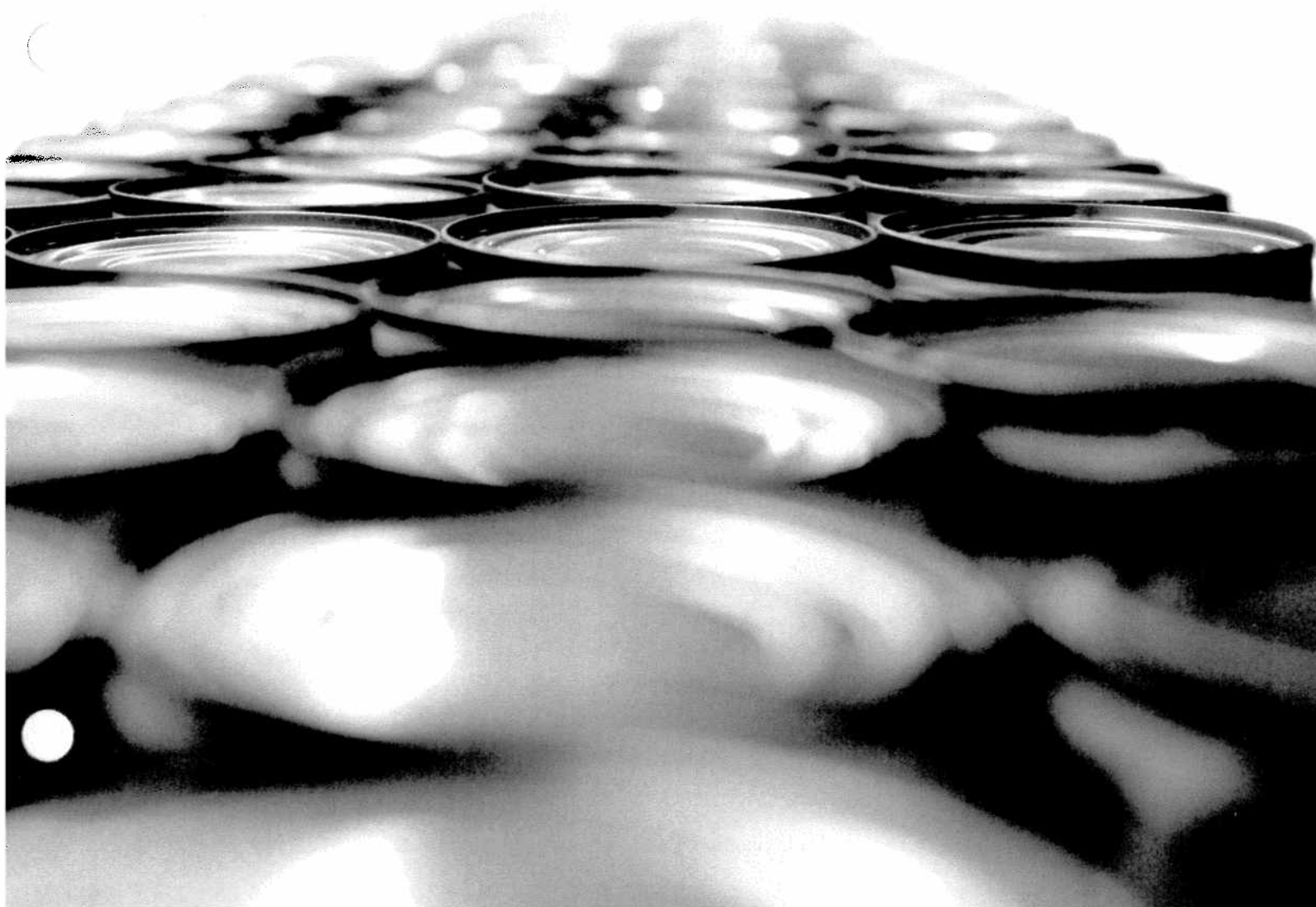


Submitted by  
Jim HALLAN

MICHIGAN RETAILERS  
ASSOCIATION

Coalition for  
**Retail Pricing  
Modernization**



## *The Reinvention Agenda*

### **TO DO: Modernize and Reform Michigan's Item Pricing Law**

*Michigan retailers are constantly looking at new strategies to provide their customers with better value and the best possible shopping experience, keys to making them more competitive with companies across the country and on the Internet.*

*Michigan consumers are being left behind by an antiquated law that cost shoppers more and force businesses large and small to redirect resources towards item labeling instead of other services and job creation.*

*Critical, overdue reforms could allow retailers to take advantage of the new technologies enjoyed by shoppers in other states, saving Michigan consumers both time and money.*

\*\*\*\*\*

- ❖ **Michigan stands alone** as the only state with this antiquated item pricing law that:
  - **Slows investment;**
  - **Prevents modernization** enjoyed by shoppers across the country;
  - **Is no longer needed** in order to protect consumers;
  - And, according to a **study by the Anderson Economic Group (AEG)**, results conservatively in a **\$2.2 billion hidden tax on Michigan's economy** each year.
- ❖ **Modernizing** Michigan's item pricing regulation would provide the ability to take advantage of the new technologies shoppers enjoy in other states, saving Michigan consumers both time and money and creating an atmosphere for job creation, investment and innovation.
- ❖ **The Shopping Reform and Modernization Act:**
  - **Creates a climate** that attracts new jobs, investment and innovation;
  - **Ends a \$2.2 billion hidden tax** on Michigan's economy;
  - **Advertising requirements, protections and prohibitions, including "rain check" provisions, are included** in the Shopping Reform and Modernization Act;
  - **Upholds Michigan's proud history of consumer protection** by retaining the popular "bounty" provision that requires payment of the difference plus ten times the difference between the stated price and the price charged at checkout; and
  - **Reinforces Attorney General oversight** with tough penalties for violators.
- ❖ **The problem** is an outdated and expensive regulation. **The solution** is modernization and reform. **The time** is now. And, **the benefit** is innovation for shoppers and savings for our economy.

For more information, contact:  
Tom Scott, Michigan Retailers Assoc.

(517) 372-5656



## What opinion leaders across Michigan are saying about the State's antiquated, **\$2.2 Billion Item Pricing Law**

### **Detroit Free Press**

...Little sticky pieces of paper clinging to each can of soup belong in the history museum along with rotary-dial phones

(Detroit Free Press, January 30, 2011)

### **THE GRAND RAPIDS PRESS**

The law should go.

(Grand Rapids Press, January 23, 2011)

### **Lansing State Journal**

...Stubbornly clinging to outdated technology is not a smart path for the state's future.

(Lansing State Journal, January 28, 2011)

### **THE JACKSON CITIZEN PATRIOT**

Snyder's call for Michigan to abandon its "item pricing" law... is so sensible that we're surprised it hasn't happened before now.

(Jackson Citizen Patriot, January 30, 2011)

### **Midland Daily News**

It's time for (Michigan's item-pricing law) to be shelved.

(Midland Daily News, January 25, 2011)

### **hollandsentinel.com**

Repealing the law should be one of the first acts the Michigan Legislature takes this year.

(Holland Sentinel, January 30, 2011)

### **lenconnect.com** The Daily Telegram - Adrian, MI - Serving Lenawee County Since 1892

Michigan should join rest of U.S., end costly item pricing

(Adrian Daily Telegram, January 27, 2011)

## **Detroit Free Press**

...Hearing Gov. Rick Snyder, a nerd with a tech background, describe it in his State of the State address did make it sound pretty antique. After all, this is already the second decade of a century when the answer to an awful lot of questions is: "There's an app for that."

By that standard, **little sticky pieces of paper clinging to each can of soup belong in the history museum along with rotary-dial phones.** And, perhaps because retailers have become increasingly lax about it, item pricing has less and less to do with how most people shop. Shoppers who make a conscious effort to monitor themselves as they price their purchases may find that they study shelf labels far more often than they pull out the actual item to find the price tag.

**Shelve old pricing rules, January 30, 2011**



Mr. Snyder's proposal to end item pricing... is a welcome advance for retailers. The 1976 law that mandates price labels on nearly every item is the relic of a time before more sophisticated technology, including self-serve scanners that allow shoppers to independently verify prices. **...Michigan is one of only two states that has an item pricing law. The cost to retailers here is an estimated \$2 billion annually in labor and materials. The law should go.**

**Why lawmakers should adopt Governor Rick Snyder's agenda for Michigan, January 23, 2011**

## **Lansing State Journal**

In an age when electronic shelf labels allow instant price changes and cell phones or other devices let consumers check prices on demand, **glued labels seem as relevant horse-drawn buggies.** Ultimately, if retailers let consumers down, they'll suffer consequences. Michigan has shown it can address the industry's shortcomings, and can do so again if needed. But stubbornly clinging to outdated technology is not a smart path for the state's future.

**Item pricing changes worth considering, January 28, 2011**



Snyder's call for Michigan to abandon its "item pricing" law — the requirement that all items have price tags — is so sensible that we're surprised it hasn't happened before now.

Even more surprising is how much this law has cost Michigan.

A new study commissioned for the Michigan Retailers Association puts the cost of complying with the law at \$2.2 billion a year. That covers the time that employees spend tagging items, plus equipment (like price guns) that can cost some stores \$10,000 a year.

**Hidden costs for item pricing are steep, January 30, 2011**



Beyond that, Michigan is one of only two states in America that still has what Snyder calls an antiquated item-pricing law. That puts Michigan, a state that can ill-afford burdensome regulation, at a competitive disadvantage with 48 of 50 states...

Snyder and others correctly say the law is outdated due to technological advances that have occurred since the 1970s, including smart phones that allow consumers to compare prices and in-store scanners to verify prices. Even former Michigan Attorney General Frank Kelly, who made enforcement of the law a hallmark of his time in office, says he's open to a new approach.

**Michigan's item-pricing law, like other burdensome regulations in the state, has served its purpose. It's time for it to be shelved.**

**Time to scrap item pricing law, January 25, 2011**



...Shoppers seem to fare just fine in the 48 states that don't require item-pricing, and we've never heard local residents complain about shopping without price stickers in Indiana and Illinois. Even Frank Kelley, the longtime Michigan attorney general who made enforcing itempricing his trademark, says the measure is now unnecessary. **Repealing the law should be one of the first acts the Michigan Legislature takes this year.**

**Our View- Item Pricing, January 30, 2011**



**lenconnect.com**

The Daily Telegram • Adrian, MI • Serving Lenawee County Since 1892

...When job providers consider whether to bring or to expand businesses into Michigan, unusual forms of regulation here put us at a competitive disadvantage to the rest of the nation.

**The purpose of regulation should not be to boost employment, but to provide a necessary protection that can't be provided any other way. The fact that Michigan's law is so more restrictive than the other 48 states' indicates that is not the case. It's time that Michigan joined the rest of the country and repealed costly individual pricing.**

**Michigan should join rest of U.S., end costly item pricing, January 27, 2011**



Gov. Snyder surprised his State of the State speech audience with the proposal to repeal wholesale Michigan's archaic item pricing law. Even former Attorney General Frank Kelley — who made a career of enforcing it — endorsed its repeal. **This regulatory change will lower the cost of doing business for countless job providers in Michigan, freeing up resources they can use to invest in existing or new businesses.** This was a deft maneuver and one we hope to see more of in matters of regulation.

**Four cheers for Governor Snyder, January 26, 2011**

## **The Reinvention Agenda: Modernizing and Reforming Michigan's Item Pricing Law**

Michigan retailers are constantly looking at new strategies to provide their customers with better value and the best possible shopping experience, keys to making them more competitive with companies across the country and on the Internet.

Critical, overdue reforms will allow retailers to take advantage of the new technologies enjoyed by shoppers in other states, saving Michigan consumers both time and money and sending the signal to job makers that Michigan is once again "open for business."

The Shopping Reform and Modernization Act is a direct response to the overwhelming voice of voters who said this November that it's **time to reinvent Michigan!**

The Shopping Reform and Modernization Act (HB 4158):

- **WILL CREATE A CLIMATE THAT ATTRACTS NEW JOBS**—The Act sends the signal to job makers and retailers across the nation that Michigan is once again "open for business" by removing Michigan's unique, burdensome requirement to individually sticker each item in a store, while empowering job makers to invest.
  - **ELIMINATES A \$2.2 BILLION HIDDEN TAX ON MICHIGAN'S ECONOMY**—According to a study by the Anderson Economic Group (AEG), Michigan's outdated item pricing law results conservatively in a \$2.2 billion hidden tax on Michigan families each year. The Modernization Act will kill that hidden tax!
  - **PROTECTS SHOPPERS**—Advertising requirements, protections and prohibitions, including "rain check" provisions, will remain in effect under the Shopping Reform and Modernization Act.
  - **STRENGTHENS MICHIGAN'S PROUD HISTORY OF CONSUMER PROTECTION**—The Act strengthens requirements that retailers display the price of every single item in the store while retaining the popular "bounty" provision that requires payment of the difference plus ten times the difference between an advertised price and the price charged at checkout.
- By empowering retailers to embrace the latest, best technology being used in 49 other states, consumers will still enjoy the same great consumer protection and clear pricing they've come to expect.
- **REINFORCES ATTORNEY GENERAL OVERSIGHT & TOUGH PENALTIES FOR VIOLATORS**—The Act retains all penalties and legal enforcement mechanisms in the law, including the ability for prosecutors and Michigan's Attorney General to protect consumers by holding violators accountable in court!

Wednesday, Nov. 12, 2008

## Giant shoppers can self-scan items

Customers say scan gun makes grocery shopping more convenient

by Bradford Pearson | Staff Writer – Gazette.net, Maryland

On her usual trip to the Giant supermarket in Potomac on Monday, Mary Lou Geoghegan picked up her romaine lettuce and asparagus, placed it in a bag and weighed it.

She then used an electronic scan gun, printed out an individual label for the vegetables from the scale and placed the items in her cart.

This isn't your mother's grocery store: The 21st century has arrived.

Giant supermarkets across the region have installed scan guns at the front of the store, hoping to lure customers with the shiny tool while making marketing trips a little quicker.



The concept is simple: pick up a scan gun and for each item you place in your cart, scan the product's UPC code. The device automatically tallies the items, making check out as simple as scan and pay. If you make a mistake or don't want the item, simply hit the delete button and rescan the item.

And in a world of increasing competition in supermarkets, not to mention increased technology, customers say their new weapon of choice actually helps.

"It takes a while at first, but once you get the hang of it, it makes everything much quicker," said Geoghegan, of Bethesda. "It's one-stop shopping."

Officials at Giant hope the new product will increase customer efficiency while fending off competitors.

"To the extent that it differentiates us from other stores, that's great," said Giant spokesman Jamie Miller. "But first and foremost it's about customer convenience."

Miller said the company started testing the scanners at a sister company, New England-based Stop and Shop, last year, and decided to introduce them to Maryland stores this year. He said it made sense to add the guns in an area like Montgomery County, where customers are so time-starved and often in a hurry.

The scan guns are currently located in the Potomac, Bethesda, and Montrose Crossing locations, and Miller said each new or refurbished Giant in the area will feature them. The Montrose Crossing ones were installed in the spring and the Potomac and Bethesda ones were installed in September, he said. Miller would not say how much the guns cost the chain.

Personal scanners have also made their way to Bloom grocery stores across the country, including the location on Rockville Pike in Rockville.

"Bloom's all about options and providing our guests with as many consumer conveniences as we can," said Bloom spokeswoman Karen Peterson. "It certainly gives our guests another option, and it helps a lot of people who are on a budget keep track of their total."

David Grove, manager of the Potomac Giant, said the scan guns are especially a hit with children, who use them to help their parents with food shopping.

"There are a lot of little kids at our store, and people see it and say it's actually a lot of fun," he said.

While shopping at the Bethesda Giant on Old Georgetown Road with her 3-year-old son Troy, Tenisha Jones McKenzie struggled to rein in the scan gun from the precocious tot.

"He loves playing with it because he feels like he's helping," the Washington, D.C. resident said. "Maybe it doesn't make things quicker, but it's fun to do something with him."

With many Giant markets within walking distance of a competing grocery store, customer service and convenience are two ways Giant can stand out in the market, Grove said.

Customers agree.

"You're already checked and bagged by the time you get to the front," said David Entwistle, at the Giant on Old Georgetown Road in Bethesda. "They're going to have to add more check out stations because this idea is really going to take off."

In addition to totaling items, the guns can be used to order deli products, and occasionally instant coupons pop up on the gun's screen, offering a customer \$1 off Pepsi, or 50 cents off a bottle of Heinz ketchup.

For Geoghegan, though, she said the most helpful aspect of the new scanners is the freedom it gives her in many customers' worst spot in the store: checkout.

"I pack my groceries along the way," she said, while standing over a cart full of empty, upright bags waiting to be filled. "That way I can pack the groceries the way I like it."



## Modernizing and Reforming Michigan's Item Pricing Law

### Frequently Asked Questions:

#### ❖ What does the Shopping Reform and Modernization Act actually do?

The Shopping Reform and Modernization Act (HB 4158) modernizes and reforms Michigan's antiquated item pricing law to ***create a climate that attracts jobs and retailers!***

The Act enables retailers to use the latest technology to clearly and effectively communicate the price of items to consumers while removing the outdated requirement that a price sticker be individually affixed to every item in the store.

#### ❖ How do consumers benefit from the Act?

According to a study by the Anderson Economic Group (AEG), Michigan's outdated item pricing law results conservatively in a \$2.2 billion hidden tax on Michigan's economy each year.

These long-overdue reforms will benefit consumers, our economy and our communities by ***killing this \$2.2 billion burden and creating a climate that attracts jobs, retailers and investment in Michigan.***

Michigan is the only state still clinging to these outdated, inefficient item pricing requirements. The current law forces retailers to spend millions each year on a mandated, old-school process while ignoring newer, more cost effective tools and technology.

This reform will offer the same great consumer protections Michigan families expect and deserve while eliminating this hidden tax, making the state more attractive to job makers and increasing the availability of investment capital.

#### ❖ So, you're saying Michigan is alone in imposing this requirement?

Yes. We are one-of-a-kind... in a bad way. The only other state with requirements in regard to item pricing is Massachusetts, and even leaders there reformed and modernized the state's law in recent years. If Michigan can't stay ahead of "Tax-achusetts," we know we are in trouble.

#### ❖ So, are you saying that shoppers will see \$2.2 billion in savings when this bill is passed?

The AEG study describes a \$2.2 billion tax on our economy. That's real money that goes into sticking small tags on every item and not into new stores, better technology, additional customer services, increased investments, jobs and lower pricing.

No two retailers are the same. No two retailers compensate for this burden in the same way and no two will reinvest back into their business in exactly the same way.

Modernize Michigan's item pricing law and shoppers will benefit and our local economy will benefit because \$2.2 billion will be available for retail investment and not wasted on red tape.

Remember, Michigan is the only state with these outdated laws, so our consumers are alone in America bearing this huge uncompetitive cost.

❖ **Aren't the people hired to do the pricing going to lose their jobs if the requirement for item pricing goes away?**

When you look at the numbers and the analysis completed by AEG, the item pricing mandate in Michigan has not resulted in higher employment. In fact, retail jobs numbers in Michigan are similar to numbers in states with no item pricing requirement.

Michigan's item pricing requirement does not create jobs; it simply changes the job description of the person who works at retail store from "Customer Service Representative" to "Sticker Gun Operator."

Modernizing the Michigan item pricing law will refocus workers' attention from price guns to people.

❖ **Won't this hurt families by undercutting Michigan's proud history of consumer protection?**

***Absolutely not!*** To the contrary, by empowering retailers to embrace the latest, best technology being used in 49 other states, Michigan consumers will know the accurate price of every item in their cart—and then save money at checkout!

The Act strengthens requirements that retailers continue to tell the customer the price of every item in the store, maintains Attorney General and prosecutorial oversight, includes state advertisement and "rain check" requirements and retains the popular "bounty" provision that requires payment of the difference plus ten times the difference between an advertised price and the price charged at checkout.

❖ **How will consumers know the price of a particular product?**

First and foremost, the bill requires the price be clearly conveyed to the consumer.

Secondly, each and every day, shoppers in 49 other states with no price tag laws visit stores and manage to fill their carts, go through the check-out and pay their bill. They know the price of items because it's in the best interest of the retailer to tell them.

The price of an item is something that retailers spend millions each year to market, not hide. Advertising prices, displaying discounts, beating the competition in pricing and acting in good faith with their customers is how a retailer succeeds. This reform actually offers retailers the flexibility to better serve their customers. It creates the opportunity to use everything from price tags, shelf signs, high-tech grocery cart scanners and smartphone apps to display items and

advertise prices to improve the overall shopping experience. You hide price, you lose a customer and no retailer wants that.

### ❖ **How much is this going to cost?**

Short answer: \$0. The Shopping Reform and Modernization Act will actually save billions throughout the economy. These are savings, identified by the Anderson Economic Group, which can be reinvested by businesses and consumers in ways that spur innovation, efficiency, and economic activity throughout the state's economy. And these are all things that have a positive effect on our state's budget.

### ❖ **If these regulations are so burdensome, why has Michigan never changed them before?**

Simple: innovation. Michigan has always been a progressive state on behalf of consumers. Today, technology and innovation have advanced and are in place in other states that allow for both consumer protections and retail modernization.

### ❖ **Who is a part of this coalition?**

The Coalition for Retail Price Modernization is a very broad group of job providers, large and small, working everyday as part of Michigan's economy. The coalition is made up of members from groups like the Michigan Retailers Association, Michigan Grocers Association, Associated Food and Petroleum Dealers, Michigan Soft Drink Association, and small business owners across the state.

### ❖ **Why now?**

The Act is a direct response to voters who said overwhelmingly this November that it's time to reinvent Michigan!

# ***Michigan's Item Pricing Law:***

## ***The Price Tag for Retailers and Consumers***

Commissioned by:  
Michigan Retailers Association

*Prepared by:*

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## *I. Executive Summary*

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**PURPOSE OF REPORT** Michigan faces a host of challenges as we enter the second decade of the 21st century. Chief among these are the realities and perceptions that Michigan is stuck in the 20th century, and that outdated regulations are stopping businesses and citizens from moving ahead.

This report assesses the costs and benefits associated with one such regulation—the Item Pricing Law (IPL)—which went into effect on January 1, 1978 and has not significantly been amended since.<sup>1</sup> We conclude that the time has come for Michigan to reform its IPL. Only eight states have any form of an IPL, and Michigan’s is by far the most burdensome. Michigan is the only state that still requires a price label to be placed on nearly every consumer item, which creates unnecessary costs for both businesses and consumers, and yields little or no benefits that are not otherwise afforded to consumers in other states.

### *A Brief History of Item Pricing*

Michigan’s IPL requires that the total price of a consumer item for sale at retail be stamped upon or affixed to the item, be clearly visible, and indicated by Arabic numerals (i.e., groceries, apparel, household goods, and appliances). The law does not apply to certain products such as those that are unpackaged and sold by weight or volume, items in a coin operated vending machine, or prepared food intended for immediate consumption. It also only applies to items sold at retail, so wholesale stores, like Costco and Sam’s Club, are not covered.

In order to adhere to this requirement, retailers must have an employee verify the item price, set-up a pricing gun, and apply an individual sticker to each item before stocking it on the store shelf. If the permanent price of an item changes, the process must be completed all over again only after the items are taken off the shelf and the original price stickers are removed.

The IPL did offer valued consumer protection when the law was passed in 1976. At this time barcode scanning technology was in its infancy, and consumers were weary of being overcharged, especially on food items in an era of notable food inflation. Putting trust in a computer, and not a friendly neighborhood retail clerk, was not something many were ready for in 1976. Some states, including Michigan, responded by requiring prices to be marked on individual items.

When federal legislation was considered, retailers promised to continue to individually price most items, and in return the legislation was not taken up. As it

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1. The law passed as Public Act 449 of 1976.

turned out, bar code scanning technology was slow to spread initially, and Michigan was one of only a handful of states that actually enacted item pricing legislation. As the technology improved consumers grew to accept its benefits, and item pricing laws were not enacted in the majority of states. Nearly thirty-five years later Michigan remains the only state that requires most every item sold at retail to be individually priced if the price is scanned at checkout.

## OVERVIEW OF APPROACH

To assess the costs and benefits of Michigan's item pricing law, we undertook a multi-step research methodology. This included a legislative review, a review of existing research on the topic, and our own analysis of the law and its impacts on Michigan retail consumers and businesses. More specifically, we:

1. Reviewed item pricing legislation for eight states, including Michigan, that the United States National Institute of Standards and Technology identify as requiring some level of mandatory pricing.
2. Reviewed existing research studies, articles, and other publications addressing the costs and benefits of IPLs.
3. Completed our own research to evaluate IPL costs and benefits in Michigan. In doing so we surveyed retailers operating in Michigan and used economic and expenditure data specific to the retail industry to quantify compliance burdens and additional costs to consumers.

A summary of our findings is presented below.

## SUMMARY OF FINDINGS

### *Item Pricing Laws Across the States*

1. Michigan has by far the most stringent item pricing law in the country, as it requires retailers to put a price sticker or tag on every individual unit that is for sale at retail.
2. No other Great Lakes state has an item pricing law, and the seven other states nationally with IPLs provide many exemptions from the requirement of pricing each individual unit. For instance, the Massachusetts IPL, felt to be the second most stringent, covers only grocery stores and items in food departments at non-grocery stores, and retailers can earn exemptions for up to 400 items if they have 95 percent scanner accuracy. Most other IPLs allow for shelf or display pricing in place of individual item pricing.

For a summary of the IPLs please see Table 2 on page 5. The laws are discussed in more detail at "State Item Pricing Laws" on page 7.

### *Costs of Item Pricing Laws*

3. A careful study by several noted economists found that the costs of item pricing are paid, at least in part, by consumers. The study found that prices were, on average, 8 percent to 10 percent higher where an IPL is in place. Please see "Existing Research Findings" on page 14.

4. Michigan consumers will spend \$24.3 billion on groceries, personal care items, and housekeeping supplies in 2010. If individual item pricing had not been required, Michigan consumers could have saved \$2.2 billion.<sup>2</sup> This equates to every household paying a hidden tax of \$562 per year for item pricing.
5. The \$2.2 billion figure is a conservative measure. The IPL applies most every item sold at retail, but the study that determined costs to be eight to ten percent higher focused only on items sold in grocery stores. As such we have applied those findings only to the related items.
6. Our research suggests that the costs of item pricing are not equally borne across consumer or businesses. The greatest burdens fall on those in lower-income consumer groups, those living in areas with low retail competition, and on businesses that operate primarily or solely in Michigan. See “Bearing the Burden” on page 20.
7. Item pricing also costs Michigan retailers the opportunity to use their labor and capital in more productive ways. We summarize this below, and cover it further at “IPL Opportunity Costs” on page 16.
  - We estimate it takes over 2,000 hours to price five million units of grocery items, which is what most large, individual grocery stores sell in a year. Superstores—those selling grocery and general merchandise—sell nearly three times this, requiring close to 6,000 hours of labor for item pricing at each store. Without item pricing requirements this labor could be used for more value added activities, such as customer service, inventory management, or register operation.
  - Item pricing requires retailers to purchase pricing guns, tape, and ink. The retailers we spoke with reported that, on average, they spend \$6,000 to \$10,000 per year on these materials for each store they operate. For retailers with about 100 stores in the state, this represents the potential for a \$1 million expense that could be invested in other ways.
  - New technologies, like hand-held scanners and electronic shelf labels, are being implemented by retailers in several states, but are slow to catch on in Michigan. Retailers we spoke with indicated that much of this is due to the IPL costs they face in Michigan. These technologies, which we present at “Technology Adoption” on page 17, can eliminate pricing errors, improve the shopping experience, save money for retailers, and provide consumers with more information about their purchases.
8. The IPL creates paper, ink, adhesive, and other material usage and waste. We estimate that even if only the smallest price stickers were used on all items, it would take one regular sheet of paper to price just 330 items, and a stack of paper the height of the Empire State Building to price all of the items sold by large grocery and supercenter stores in Michigan. See “Environmental Waste” on page 18.

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2. See Table 1, “Michigan Consumer Spending and the Cost of Item Pricing (2010 estimates),” on page 5.

9. Michigan's IPL conveys that burdensome government regulation is needed to ensure consumers are protected from retailers. In truth, consumers in 49 other states are well protected by much less burdensome laws while benefiting from lower prices, more customer service, and new technologies. See "Unfriendly Message to Business" on page 19.

*Overstated Benefits of Item Pricing Laws*

10. Advocates of IPLs cite several benefits, each of which is a desirable outcome. However, these benefits can be realized with a less stringent IPL.
11. Advocates note Michigan's IPL provides an easy way of checking the accuracy of scanners at or after checkout, which prevents consumers from being overcharged. In reality, scanners have been found to be very accurate, and when pricing discrepancies do occur they most often favor the consumer. Further, with many items purchased being "on sale," very few shoppers can use the prices on a receipt (the lower sales price) to verify the price on the item (higher original price) was correct.
12. IPLs are also said to allow shoppers to tally a price total as they shop, and to compare prices as they shop. Innovations like handheld, in-aisle, and even Smartphone-application scanners can be used by customers to tally the cost of their items, and find a price for comparison. These scanners provide more accuracy by showing discounted prices, where as individually priced items carry the full price.
13. Some say the IPL creates or saves retail jobs, but retailers we spoke with reported that their Michigan staffing numbers are similar to those in non-IPL states, and that in Michigan they allocate less time to customer service and other value-added activities due to IPL related labor requirements. Census data further shows that retailers in Michigan have ratios of employees per establishment and employees per sales that are in line with other states. This evidences that the IPL is not causing Michigan retailers to hire more workers than what retailers in other states do.
14. Item pricing also helps prevent shelf label confusion, which occurs when items are inadvertently placed near another item's shelf label. Innovations, like product organizing bins and electronic shelf labels, greatly cut down on shelf-label confusion. Michigan retailers have less available capital to invest in these innovations due to the allocation of funds to IPL materials.
15. Finally, some view IPLs as necessary to protect consumers. However, there is no evidence that Michigan consumers receive any better protection than consumers in other states. All consumers have great recourse against retailers who cause them harm. They can turn to Attorney General offices, Consumer Affairs Bureaus, and even voice their displeasures through a growing range of outlets like Facebook and Twitter. Businesses take great strides to maintain strong customer relationships, and have incentives to protect their own consumers, if for no reason other than to maintain a loyal shopper.

Overall, the benefits that IPL advocates cite are overstated, and achievable through less costly means. See "Overstated Benefits From Item Pricing Laws" on page 21 for further discussion.



TABLE 1. Michigan Consumer Spending and the Cost of Item Pricing (2010 estimates)

	<u>Statewide</u>		<u>Average Household</u>	
	Expenditures	Share Due To Item Pricing	Expenditures	Share Due To Item Pricing
Groceries / Food at Home	\$19,677,182,143	\$1,770,946,393	\$5,064	\$456
Personal Care and Non-prescription Drugs	\$1,902,032,654	\$171,182,939	\$489	\$44
Housekeeping Supplies	\$2,682,590,828	\$241,433,175	\$690	\$62
<b>Total</b>	<b>\$24,261,805,625</b>	<b>\$2,183,562,506</b>	<b>\$6,243</b>	<b>\$562</b>

Source: Anderson Economic Group, LLC. ESRI, Inc.

Note: Item pricing cost estimate based on a 9 percent average price difference.

TABLE 2. Summary of Item Pricing Laws in the United States, by State

State	Items Covered	Allowable Exclusions and Exemptions
Michigan	All consumer items.	Few. Retailers may select 25 items for exemption if prices are posted elsewhere. Excluded items include live plants, items sold by weight, food for immediate consumption, motor vehicle parts, and vending machine items.
42 other states (including Ohio, Indiana, and Illinois).	None. No item pricing laws in place	
Arizona	Any package for sale.	100 percent of items are exempt if shelf or display-level pricing is in place, and meets certain visibility requirements.
California	85 percent of packaged consumer goods in grocery stores and grocery departments.	Many. Unpackaged produce, small items under \$0.40, and items sold in vending machines. 15 percent of remaining items can be exempted, with store management selecting the items.
Connecticut	Grocery and household consumer items, but not carbonated or alcoholic beverages.	100 percent exemption for retailers with electronic shelf labels, or upon completion of a waiver application and demonstration of 98 percent scanner accuracy.
Massachusetts	All items in grocery stores or all items in food departments.	Many. Unpackaged foods, tobacco products, frozen food, milk, eggs, snack foods, and soft drinks. Retailers with 95% scanner accuracy can exempt up to 400 more items.
New Hampshire	Most items in grocery stores.	100 percent exemption if shelf tags are in place, and show an item's regular price, unit price, and item description.
New Mexico	Consumer commodities sold by weight, measure, or count.	100 percent if a price is displayed using a sign, sticker, or stamp affixed to the shelf that the item is displayed on.
New York (no state law; 12 counties have IPLs)	Varies by county.	Yes. Most counties exempt retailers that demonstrate 98% scanner accuracy. Some require scanner accuracy and price check scanners in aisles.

Source: Anderson Economic Group, LLC.

**ABOUT ANDERSON  
ECONOMIC GROUP**

Anderson Economic Group, LLC is a consulting firm that specializes in economics, public policy, financial valuation, market research, and land use economics. Anderson Economic Group has completed cost benefit studies and economic impact analyses for a variety of public and private sector clients. More information on the firm is available at [www.AndersonEconomic-Group.com](http://www.AndersonEconomic-Group.com).